

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature		Printed Name		License Number

Monroe Raw Water Intake Partnership
(a joint venture between the City of Monroe, Michigan and
Frenchtown Township, Michigan)

Financial Report
June 30, 2007

Monroe Raw Water Intake Partnership

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Independent Auditor's Report

To the Governing Body
Monroe Raw Water Intake Partnership
Monroe, Michigan

We have audited the basic financial statements of Monroe Raw Water Intake Partnership (City of Monroe, Michigan) as of and for the year ended June 30, 2007. These financial statements are the responsibility of the management of Monroe Raw Water Intake Partnership. Our responsibility was to express an opinion on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Monroe Raw Water Intake Partnership as of June 30, 2007 and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

October 15, 2007

Monroe Raw Water Intake Partnership

Management Discussion and Analysis

Our discussion and analysis of Monroe Raw Water Intake Partnership's (the "Partnership") financial performance provides an overview of the Partnership's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Partnership's financial statements.

Statement of Net Assets/Statement of Changes in Net Assets

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	2007	2006
Assets		
Current assets	\$ 440,630	\$ 373,370
Capital assets	5,158,886	5,210,228
Total assets	5,599,516	5,583,598
Liabilities - Current - Accounts payable	56,844	54,534
Net Assets		
Investment in capital assets	5,158,886	5,210,228
Unrestricted	383,786	318,836
Total net assets	<u><u>\$ 5,542,672</u></u>	<u><u>\$ 5,529,064</u></u>

The Partnership's net assets increased .5 percent from a year ago, increasing from approximately \$5,529,000 to \$5,543,000.

Monroe Raw Water Intake Partnership

Management Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the year ended June 30, 2007 as compared to the prior year:

	2007	2006
Revenue		
Raw water billings	\$ 350,634	\$ 349,127
Investment income	13,609	7,899
Total revenue	364,243	357,026
Expenses		
Capital outlay	8,186	8,024
Electricity	148,503	133,724
Other utility costs	13,936	12,012
Labor and contractual	39,463	62,445
Operating supplies and chemicals	16,265	20,460
Equipment rental	1,860	1,608
Audit fees	4,625	4,520
Depreciation	117,797	106,336
Total expenses	350,635	349,129
Operating Income	13,608	7,897
Capital Contributions	-	193,377
Change in Net Assets	<u><u>\$ 13,608</u></u>	<u><u>\$ 201,274</u></u>

The Partnership's total revenue increased by approximately \$7,200 in the current year. The increase was primarily due to an increase in investment earnings.

The current year expenses increased from the prior year by approximately \$1,500 primarily due to increases in electricity costs.

Budgetary Highlights

Over the course of the year, the Partnership amended the budget to adjust for costs related to the installation of a new chemical feed line in Lake Erie.

Monroe Raw Water Intake Partnership

Management Discussion and Analysis (Continued)

Capital Asset and Debt Administration

The Partnership does not have any debt and does not plan to issue any debt in the near future. During the fiscal year, the Partnership made capital improvements related to the installation of a new chemical feed line in Lake Erie. Additional pumps for use by the City of Monroe are planned for purchase in future fiscal years.

Economic Factors and Next Year's Budgets and Rates

The costs of Monroe Raw Water Intake Partnership are reimbursed by either the City of Monroe or Frenchtown Township. For that reason, there aren't any significant economic factors that affect the Partnership. The operating budget for the Partnership for fiscal year 2008 was adopted in the amount of \$364,565, a 2.85 percent decrease over the prior year.

Contacting the Partnership's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Partnership's finances and to show the Partnership's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City of Monroe Finance Department at (734) 384-9180.

Monroe Raw Water Intake Partnership

Statement of Net Assets June 30, 2007

Assets

Current assets:

Cash and cash equivalents (Note 2)	\$ 276,803
Investments (Note 2)	113,000
Accrued interest	1,465
Accounts receivable - City and Township	<u>49,362</u>

Total current assets 440,630

Capital assets - Net (Note 3) 5,158,886

Total assets 5,599,516

Liabilities - Current - Accounts payable 56,844

Net Assets

Invested in capital assets	5,158,886
Unrestricted	<u>383,786</u>

Total net assets \$ 5,542,672

Monroe Raw Water Intake Partnership

Statement of Change in Net Assets Year Ended June 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue			
Raw water billings:			
City of Monroe	\$ 322,577	\$ 272,207	\$ (50,370)
Frenchtown Township	98,248	78,427	(19,821)
Investment income	8,000	13,609	5,609
Total operating revenue	428,825	364,243	(64,582)
Operating Expenses			
Capital outlay	87,663	8,186	79,477
Electricity	132,826	148,503	(15,677)
Other utility costs	13,174	13,936	(762)
Labor and contractual	43,402	39,463	3,939
Operating supplies and chemicals	18,717	16,265	2,452
Equipment rental	1,858	1,860	(2)
Audit fees	4,625	4,625	-
Depreciation	118,560	117,797	763
Total operating expenses	420,825	350,635	70,190
Change in Net Assets	8,000	13,608	5,608
Net Assets - July 1, 2006	5,529,064	5,529,064	-
Net Assets - June 30, 2007	<u>\$ 5,537,064</u>	<u>\$ 5,542,672</u>	<u>\$ 5,608</u>

Monroe Raw Water Intake Partnership

Statement of Cash Flows Year Ended June 30, 2007

Cash Flows from Operating Activities

Cash received from customers	\$ 346,223
Cash paid to suppliers	(182,879)
Payments to employees	(39,463)
Other receipts/payments	<u>5,423</u>

Net cash provided by operating activities 129,304

Cash Flows from Investing Activities - Cash invested

in certificate of deposit (113,000)

Cash Flows from Capital and Related Financing Activities - Purchase of capital assets

(66,455)

Net Decrease in Cash and Cash Equivalents

(50,151)

Cash and Cash Equivalents - Beginning of year

326,954

Cash and Cash Equivalents - End of year

\$ 276,803

Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 13,608
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation expense	117,797
Changes in assets and liabilities:	
Due from other governmental units	(4,411)
Accounts payable	<u>2,310</u>

Net cash provided by operating activities \$ 129,304

Monroe Raw Water Intake Partnership

Notes to Financial Statements
June 30, 2007

Note 1 - Summary of Significant Accounting Policies

Monroe Raw Water Intake Partnership (the "Partnership") is a partnership between the City of Monroe and Frenchtown Township to provide the raw water intake and treatment that will be transmitted to the ultimate water customers by the two communities. The Partnership was constructed directly by the two communities. The Partnership is operated by the City of Monroe (the "City").

The accounting policies of the Partnership conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Basis of Accounting

The accrual basis of accounting is used by the Partnership.

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Fixed Assets - All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary funds on a straight-line basis.

Inventories - Inventories are not significant and therefore have been expensed when purchased.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Partnership has elected to comply with the City's investment policy.

Monroe Raw Water Intake Partnership

Notes to Financial Statements June 30, 2007

Note 2 - Deposits and Investments (Continued)

The Partnership's cash and investments are subject to the following type of risk:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Partnership's deposits may not be returned to it. The Partnership does not have a deposit policy for custodial credit risk. The Partnership's deposits are held at the same institutions as the City's deposits and they are commingled; therefore, the amount covered by federal depository insurance is undeterminable. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Capital Assets

A summary of the Partnership's fixed assets is as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Capital assets being depreciated:				
Water mains	\$ 3,344,106	\$ 65,955	\$ -	\$ 3,410,061
Buildings, additions, and improvements	<u>3,093,844</u>	<u>500</u>	<u>-</u>	<u>3,094,344</u>
Total capital assets being depreciated	6,437,950	66,455	-	6,504,405
Accumulated depreciation:				
Water mains	607,924	56,056	-	663,980
Buildings, additions, and improvements	<u>619,798</u>	<u>61,741</u>	<u>-</u>	<u>681,539</u>
Total accumulated depreciation	<u>1,227,722</u>	<u>117,797</u>	<u>-</u>	<u>1,345,519</u>
Net capital assets	<u>\$ 5,210,228</u>	<u>\$ (51,342)</u>	<u>\$ -</u>	<u>\$ 5,158,886</u>

Note 4 - Risk Management

The Partnership is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Partnership participates in the City's risk management program for workers' compensation, which is accounted for in the City's Internal Service Fund. The Partnership participates, in conjunction with the City, in the Michigan Municipal League Risk Pool for claims related to general liability.

Monroe Raw Water Intake Partnership

**Notes to Financial Statements
June 30, 2007**

Note 5 - Budget

The State's Budget Act does not require a formal budget to be adopted for Enterprise Funds. However, because of the contractual agreement between the two communities, an annual budget is adopted and is included in these financial statements for management control purposes.